

Message Text

CONFIDENTIAL

PAGE 01 LONDON 14939 01 OF 03 141851Z

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00

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C O N F I D E N T I A L SECTION 01 OF 03 LONDON 14939

PASS AGRICULTURE

E.O. 11652: GDS

TAGS: EAGR, EEC, UK

SUBJECT: EC RENEGOTIATION -- AGRICULTURE

REF: (A) LONDON 6567, (B) EC BRUSSELS A-182

SUMMARY: THE BRITISH ARE CONFIDENT ABOUT THE
AGRICULTURAL SIDE OF EC RENEGOTIATION. THEY
RECOGNIZE THAT THEIR CHANCES OF SUCCESS HAVE BEEN
CONFIDENTIAL

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PAGE 02 LONDON 14939 01 OF 03 141851Z

INCREASED BY THE FACT THAT RENEGOTIATION IS TAKING

PLACE WHEN THE CAP IS ALREADY UNDER SERIOUS STRAIN, AND OTHER MEMBER STATES ARE BECOMING LESS DOCTRINAIRE ABOUT CAP REFORM. ONE SENIOR OFFICIAL PREDICTS THAT THE UK CAN ACHIEVE AT LEAST 70 PER CENT OF ITS OBJECTIVES ON AGRICULTURE BY THE END OF APRIL. (THIS CONTRASTS WITH THE OUTLOOK FOR SUCCESS IN RESOLVING THE EC BUDGET ISSUE, WHICH IS FAR LESS CERTAIN SEE REF A FOR AN ACCOUNT OF THE BRITISH POSITION ON THE BUDGET). SOME IMPORTANT RENEGOTIATION AIMS HAVE ALREADY BEEN ACHIEVED. STEPS HAVE BEEN TAKEN TOWARD CHANGING THE EC REGIME FOR BEEF, AND SOME SURPLUS BEEF IS NOW BEING SOLD AT REDUCED PRICES TO NEEDY BRITISH CONSUMERS. THE EC SUBSIDY ON SUGAR IMPORTS, FOR WHICH THE DETAILS ARE STILL BEING WORKED OUT, WAS AN UNFORESEEN, BUT SIGNIFICANT BENEFIT. THE MAIN OBJECTIVES STILL TO BE ACHIEVED ARE: A) A SATISFACTORY ARRANGEMENT FOR SUGAR IMPORTS IN THE EC-ACP NEGOTIATIONS. B) A COMPLETE REVISION OF THE COMMUNITY'S POLICY FOR BEEF. C) CRITERIA FOR SETTING EC SUPPORT PRICES (ESPECIALLY FOR CEREALS) THAT ARE BASED ON THE NEEDS OF EFFICIENT FARMS. D) DIRECT SUBSIDIES FOR LESS VIABLE FARMS. AND, E) A MORE FLEXIBLE INTERVENTION SYSTEM FOR GRAINS AND MILK PRODUCTS IN WHICH PRODUCTION INCENTIVES ARE AUTOMATICALLY REDUCED IF SURPLUSES ARE ACCUMULATING ABOVE A STATED LEVEL. THE UK WILL TRY TO ACHIEVE MOST OF THESE CHANGES IN THE FORTHCOMING DISCUSSIONS OVER SUPPORT PRICES AND THE "STOCKTAKING" OF THE CAP. THEY REALIZE THAT THE COMMUNITY WILL NOT HAVE GONE VERY FAR WITH ITS "STOCKTAKING" BEFORE THE LATE SPRING DEADLINE FOR RENEGOTIATION, BUT SOME GENERAL PRINCIPLES COULD BE AGREED. THE BRITISH ARE NOT COUNTING ON THE MTN -- WHICH PRESUMABLY WILL ONLY JUST BE GETTING UNDER WAY NEXT SPRING -- TO PRODUCE ANYTHING SIGNIFICANT FOR EC RENEGOTIATION. END SUMMARY

1. THE MINISTER OF AGRICULTURE, FRED PEART, IS DIRECTING THE AGRICULTURAL SIDE OF EC RENEGOTIATION WITHIN THE BROAD POLICY FRAMEWORK OF FOREIGN SECRETARY CALLAGHAN'S STATEMENTS TO THE EC COUNCIL OF APRIL 1 AND JUNE 4.

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PAGE 03 LONDON 14939 01 OF 03 141851Z

2. PEART WAS WIDELY REGARDED AS ONE OF THE CABINET'S ANTI-MARKETEERS WHEN THE LABOUR PARTY CAME TO POWER LAST MARCH. WHILE HE HAS NOT BECOME PRO-MARKET, HE HAS BEEN WILLING, ACCORDING TO OFFICIALS WHO WORK WITH HIM CLOSELY, TO TAKE AN OPEN-MINDED APPROACH TO THE REALITIES OF THE CAP AND OF WORLD AGRICULTURAL TRADE, AND TO TRY TO OBTAIN THROUGH RENEGOTIATION

WHATEVER BENEFITS HE CAN FOR BRITISH CONSUMERS AND PRODUCERS. PEART IS SUPPORTED BY AN ACTIVE AND TALENTED GROUP OF MINISTRY OF AGRICULTURE OFFICIALS WHO WERE DEEPLY INVOLVED IN THE EC ENLARGEMENT NEGOTIATIONS, AND WHO WOULD LIKE TO SEE BRITAIN STAY IN THE COMMUNITY.

3. THE SUCCESS OR FAILURE OF RENEGOTIATION OVER AGRICULTURE CAN BE MEASURED AGAINST THE STATEMENT THAT PEART MADE TO THE EC COUNCIL ON JUNE 18 (REF B). PEART PROPOSED CRITERIA FOR FIXING PRICES, WAYS TO DEAL WITH LESS VIABLE FARMS, AND A MORE FLEXIBLE INTERVENTION SYSTEM. HE SAID THAT ANY SURPLUSES THAT DO ACCUMULATE SHOULD BE DISTRIBUTED IN WAYS THAT BENEFIT THE EC

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PAGE 01 LONDON 14939 02 OF 03 141854Z

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 EB-04 FRB-01 H-01 INR-05 INT-05 L-02 LAB-01

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C O N F I D E N T I A L SECTION 02 OF 03 LONDON 14939

CONSUMER. HE ALSO MADE SPECIFIC PROPOSALS ON BEEF, COMMONWEALTH SUGAR, NEW ZEALAND BUTTER, AND THIRD COUNTRY ACCESS. PEART STRESSED THAT HIS PROPOSALS WERE DESIGNED TO IMPROVE THE OPERATION OF THE CAP FOR THE SAKE OF THE COMMUNITY AS A WHOLE -- NOT TO UNDERMINE IT OR TO GET SPECIAL EXCEPTIONS FOR THE UK.

4. THE BRITISH CONSIDER THAT SOME IMPORTANT RENEGOTIATION AIMS HAVE ALREADY BEEN ACHIEVED. THEY
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 14939 02 OF 03 141854Z

WELCOMED DECISIONS BY THE EC COUNCIL IN MARCH TO EXEMPT THE UK FROM PERMANENT INTERVENTION FOR BEEF AND VEAL, AND TO ALLOW IT TO GRANT DIRECT SUBSIDIES TO CALF AND PIG PRODUCERS. THEY ALSO WELCOMED THE JULY COUNCIL DECISION TO AUTHORIZE MEMBER STATES TO PAY SUBSIDIES TO FARMERS MARKETING MATURE SLAUGHTER CATTLE. THESE DECISIONS WERE SEEN AS STEPS TOWARD A SYSTEM IN WHICH PRICE SUPPORTS ARE SUPPLEMENTED BY DIRECT PAYMENTS TO NEEDY PRODUCERS -- ONE OF THE UK'S MAIN OBJECTIVES IN THE REFORM OF THE COMMUNITY'S BEEF POLICY.

5. THE DECISION BY THE COUNCIL IN JULY TO PERMIT THE SALE OF BEEF AT REDUCED PRICES TO CERTAIN CONSUMERS WHO BENEFIT FROM WELFARE PROGRAMS WAS CONSISTENT WITH ANOTHER BRITISH AIM -- TO RESTORE TO COMMUNITY CONSUMERS, AND IN PARTICULAR TO CERTAIN CLASSES OF CONSUMERS, THE PRODUCE THAT IS TAKEN OFF THE MARKET IN TIME OF SURPLUS.

6. THE IMPORT SUBSIDY ON SUGAR ESTABLISHED BY THE COUNCIL IN OCTOBER WAS AN UNFORESEEN BENEFIT FOR RENEGOTIATION. IT DEMONSTRATES THAT THE COMMUNITY CAN BE A CHEAPER SOURCE OF FOOD THAN THE COMMONWEALTH, AND THAT CAP CAN WORK FOR THE BENEFIT OF THE CONSUMER AS WELL AS THE PRODUCER. IT ALSO TOUCHES THE IMMEDIATE INTERESTS OF THE BRITISH PUBLIC -- UNLIKE SO MANY COMMUNITY POLICIES THAT SEEM REMOTE AND ABSTRACT IF NOT IRRELEVANT.

7. THE PUBLIC RELATIONS EFFECTS OF THE SUGAR SUBSIDY HAVE BEEN OFFSET TO SOME EXTENT BY PROTESTS FROM BRITISH CANE SUGAR REFINERS AND FROM PRO-COMMON-

WEALTH ELEMENTS WHO ARGUE THAT A DEAL SHOULD HAVE BEEN MADE WITH AUSTRALIA. THE EFFECT WILL BE FURTHER DIMMED IF -- AS IS QUITE POSSIBLE -- THE PRICE OF SUGAR IN THE UK CONTINUES TO RISE NEXT YEAR, AND SUGAR CONTINUES TO BE IN SHORT SUPPLY. IT WILL BE ESSENTIAL FOR THE UK TO GET A SATISFACTORY ARRANGEMENT FOR SUGAR IMPORTS IN THE EC-ACP NEGOTIATIONS. FAILURE TO DO THIS WOULD BE SEEN AS GOING BACK ON A COMMITMENT THAT

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PAGE 03 LONDON 14939 02 OF 03 141854Z

BRITAIN MADE TO DEVELOPING COMMONWEALTH COUNTRIES DURING THE ENLARGEMENT NEGOTIATIONS. THE POLITICAL REPERCUSSIONS WOULD BE SEVERE, AS THE ANTI-EC FACTION WOULD THEREBY BE GIVEN A HIGHLY EMOTIVE PIECE OF AMMUNITION.

8. THE BRITISH HOPE TO ACHIEVE THE REST OF THEIR MAIN RENEGOTIATION AIMS IN THE PACKAGE THAT WILL BE WORKED OUT OVER NEXT YEAR'S SUPPORT PRICES AND THE "STOCKTAKING" OF THE CAP WHICH THE COMMISSION WILL MAKE IN FEBRUARY.

9. A KEY OBJECTIVE IS A REFORM OF THE COMMUNITY'S BEEF REGIME BY MARCH 1. IN A SPEECH TO THE HOUSE OF COMMONS ON OCTOBER 31, PEART OUTLINED CHANGES WHICH THE UK WANTS TO ACHIEVE. THEY ARE: A) REPLACEMENT OF PERMANENT INTERVENTION WITH A SYSTEM OF VARIABLE MARKET PREMIUMS TO ASSURE PRODUCERS A FAIR RETURN; B) A CONTINUATION OF PRODUCTION GRANTS; AND C) A BETTER AND SIMPLER IMPORT REGIME.

10. THE UK WOULD LIKE TO SEE THE COMMUNITY APPLY REVISED CRITERIA WHEN IT MAKES ITS DECISIONS ON PRICES EARLY NEXT YEAR. FOR EXAMPLE, IT WANTS PRICE PROPOSALS TO BE BASED ON THE NEEDS OF MODERN AND EFFICIENT FARMS, AND ON THE SUPPLY/DEMAND SITUATION FOR PARTICULAR COMMODITIES. IT ALSO WANTS AN IMPROVEMENT IN THE GRAIN/LIVESTOCK PRICE RATIO. THE PROBLEMS OF SMALLER, LESS VIABLE FARMS SHOULD BE DEALT WITH DIRECTLY -- FOR EXAMPLE, BY DIRECT SUBSIDIES FROM THE GUIDANCE SECTION OF FEOGA OR FROM THE EC SOCIAL FUND. IN ORDER TO REDUCE SURPLUSES, THE UK IS PROPOSING A

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PAGE 01 LONDON 14939 03 OF 03 141900Z

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C O N F I D E N T I A L SECTION 03 OF 03 LONDON 14939

MORE FLEXIBLE INTERVENTION SYSTEM FOR GRAINS AND MILK PRODUCTS. IN HIS JUNE 18 STATEMENT, PEART SUGGESTED MECHANISMS THAT WOULD AUTOMATICALLY REDUCE THE FARMER'S INCENTIVE TO PRODUCE WHEN THE COMMUNITY IS ACCUMULATING SURPLUSES.

11. ON THIRD COUNTRY ACCESS, THE UK WILL WANT THE COMMUNITY AT LEAST TO BEGIN ITS REVIEW OF ARRANGEMENTS FOR FUTURE BUTTER AND CHEESE IMPORTS FROM NEW
CONFIDENTIAL

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PAGE 02 LONDON 14939 03 OF 03 141900Z

ZEALAND -- EVEN IF NO FINAL DECISIONS ARE MADE. IT WOULD LIKE THE COMMUNITY TO INCLUDE AN ARRANGEMENT FOR FACILITATING IMPORTS OF HARD WHEAT IN THE EC'S MANDATE FOR THE MTN. OTHER MINOR PROBLEMS -- FOR EXAMPLE, REDUCED DUTIES ON CERTAIN KINDS OF CANNED FRUIT AND CANNED FISH -- CAN BE DEALT WITH IN THE REVISION OF THE COMMUNITY'S GSP SYSTEM, OR IN THE MEDITERRANEAN AND ACP NEGOTIATIONS.

12. THE BRITISH REALIZE THAT THE COMMUNITY WILL NOT HAVE PROGRESSED VERY FAR WITH ITS "STOCKTAKING" BEFORE THE DEADLINE FOR RENEGOTIATION RUNS OUT IN THE LATE SPRING. THE VERY FACT THAT THIS REVIEW OF THE CAP IS TAKING PLACE IS USEFUL, HOWEVER, AND THE BRITISH WILL TRY TO GET SOME GENERAL STATEMENTS OF PRINCIPLE THAT CAN BE CITED AS RENEGOTIATION ACHIEVEMENTS. THE BRITISH ARE NOT COUNTING ON THE MTN -- WHICH PRESUMABLY WILL ONLY JUST BE GETTING UNDER WAY NEXT SPRING -- TO ACCOMPLISH ANYTHING VERY SIGNIFICANT FOR THE RENEGOTIATING PROCESS.

13. THE BRITISH ARE CONFIDENT ABOUT THE PROSPECTS FOR THE AGRICULTURAL SIDE OF RENEGOTIATION. THIS CONTRASTS WITH THEIR ATTITUDE TOWARD THE EC BUDGET ISSUE, WHERE THE CHANCES OF SUCCESS ARE LESS CERTAIN. BRITISH OFFICIALS ACKNOWLEDGE PRIVATELY THAT THE UK'S RENEGOTIATION AIMS FOR AGRICULTURE ARE SIMILAR TO WHAT ANY BRITISH GOVERNMENT WOULD TRY TO ACHIEVE. THEY BELIEVE THAT THEY WILL BE ACCOMPLISHED MORE QUICKLY, HOWEVER, THAN THEY WOULD HAVE BEEN IF THE POSSIBILITY OF BRITAIN'S WITHDRAWAL FROM THE COMMUNITY HAD NOT BEEN RAISED. THE BRITISH ARE FORTUNATE THAT THEY ARE PRESSING FOR REFORMS IN THE CAP AT A TIME WHEN THE CAP IS ALREADY UNDER SERIOUS STRAIN, AND OTHER MEMBER STATES ARE BECOMING LESS DOCTRINAIRE ABOUT POSSIBLE REFORMS. MANY OF THE UK AIMS ARE SIMILAR TO PROPOSALS SUGGESTED BY THE COMMISSION ITSELF. AS ONE SENIOR OFFICIAL OF THE MINISTRY OF AGRICULTURE PUT IT, THE LABOUR GOVERNMENT HOPES TO HAVE ACHIEVED AT LEAST 70 PER CENT OF ITS RENEGOTIATION AIMS BY NEXT APRIL, BEFORE IT "GOES TO THE COUNTRY."

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PAGE 03 LONDON 14939 03 OF 03 141900Z

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